

Message Text

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ACTION EA-12

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COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03
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TO SECSTATE WASHDC 1289
INFO AMCONSUL HONG KONG

C O N F I D E N T I A L SECTION 1 OF 2 PEKING 2067

E.O. 11652: GDS
TAGS: EALR ETRD CH US

SUBJ: BUSINESS ACTIVITY REPORT: JUNE

REF: PEKING 1661

SUMMARY: JUNE CONTINUED THE RECENT HIGH LEVEL TREND OF BUSINESS ACTIVITIES BY US FIRMS IN PEKING. HIGHLIGHT WAS SIGNING OF CONTRACTS VALUED AT \$5 MILLION FOR COMPUTERS. SMALLER CONTRACTS WERE SIGNED FOR SALE OF AGRICULTURAL EQUIPMENT AND LIQUID CHROMATOGRAPHY EQUIPMENT. A US FIRM RECEIVED A LETTER OF INTENT FROM TECHIMPORT TO PROVIDE ENGINEERING SERVICES FOR PRC MINING PROJECTS, THE FIRST ARRANGEMENT OF THIS TYPE THAT WE ARE AWARE OF. TECHNICAL PRESENTATIONS AND SEMINARS WERE GIVEN BY US FIRMS DURING THE MONTH IN SUCH FIELDS AS PETROCHEMICALS, OIL FIELD EQUIPMENT, AIRCRAFT, DIESEL ELECTRIC LOCOMOTIVES, PETROLEUM EXPLORATION SERVICES AND MINING TECHNOLOGY. USLO -- FOR THE FIRST TIME -- RECEIVED A WRITTEN INQUIRY FROM A PRC FOREIGN TRADE CORPORATION REQUESTING INFORMATION ON SPECIFIC EQUIPMENT MANUFACTURED BY A US FIR. END SUMMARY.

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US SELLERS.
1. COMPUTERS AND SCIENTIFIC EQUIPMENT:
--SPERRY UNIVAC: THIS FIRM SIGNED CONTRACTS FOR THE SALE OF TWO UNIVAC COMPUTERS (MODELS 100/11 AND 1100/12) VALUED AT \$5 TO \$6 MILLION (SEE PEKING 1828).
--WATERS ASSOCIATES: THIS FIRM SOLD EIGHT LIQUID

CHROMOTOGRAPHS WORTH ABOUT \$300,000 FOR USE BY THE MINISTRY OF PETROLEUM AND THE PETROLEUM RESEARCH INSTITUTE IN PEKING IN ANALYZING CRUDE PETROLEUM, LUBRICANTS, ETC.

--AMERICAN OPTICAL COMPANY: A FOUR PERSON TEAM ARRIVED IN PEKING TO SUPERVISE INSTALLATION OF AN ELECTRON MICROSCOPE WORTH ABOUT \$100,000 SOLD BY THE FIRM LAST FEBRUARY TO BE USED FOR INDUSTRIAL ANALYSES. THE EQUIPMENT WAS APPARENTLY LOST IN TRANSIT BY RAIL BETWEEN SHUMCHUN AND PEKING; BY THE END OF THE MONTH THE TEAM HAD BEEN UNABLE TO COMPLETE THEIR MISSION.

2. AGRICULTURAL EQUIPMENT:

--J.I. CASE: FIRM GAVE SEMINARS AND CONCLUDED A SMALL CONTRACT (SIX UNITS) CONSISTING OF THE FOLLOWING KINDS OF EQUIPMENT: LOADER-BACKHOE, CARRYDECK CRANE, RUBBER-TIRED TRENCHER. FIRM HOPES TO SELL MORE IN THE FUTURE.

3. MINING EQUIPMENT AND ENGINEERING SERVICES:

--BROWN AND ROOT: FIRM RECEIVED A LETTER OF INTENT FROM TECHIMPORT TO PROVIDE ENGINEERING SERVICES FOR CHINESE PHOSPHATE AND PYRITE MINES IN YUNNAN AND KWANGTUNG. FIRM HAD ADVISED CHINESE THAT THEY WORKED ONLY ON A COST PLUS FEE BASIS AND THAT THEY DO NOT PROVIDE EQUIPMENT OR ACCEPT COMMISSIONS FROM SUPPLIERS. CONFIDENTIAL

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THIS IS THE FIRST ARRANGEMENT OF THIS TYPE INVOLVING A US FIRM OF WHICH USLO IS AWARE.

--WABCO: FIRM REPRESENTATIVES ARRIVED IN PEKING AT THE END OF THE MONTH, PRESUMABLY IN CONNECTION WITH SALE OF HEAVY MINING TRUCKS REPORTED IN LAST MONTH'S BUSINESS ACTIVITY REPORT (REFTEL).

--HARNISCHFEGGER: FIRM REPRESENTATIVES ARRIVED IN PEKING AT THE END OF THE MONTH.

--DRAVO: REPRESENTATIVES OF THIS LARGE CONSTRUCTION FIRM VISITED PEKING DURING THE MONTH TO GIVE SEMINARS ON IRON ORE BENEFICIATION, PELLETIZATION, AND ENGINEERING AND CONSTRUCTION DESIGN. ALSO VISITED IRON MINES IN CHIEN-AN, ANSHAN, AND NEAR WUHAN.

4. TRANSPORTATION:

--FORD: BOARD CHAIRMAN HENRY FORD AND OTHER TOP FORD EXECUTIVES VISITED PEKING JUNE 19 TO 21 AT THE INVITATION OF CHINA TRAVEL SERVICE. CHINESE WERE PIQUED AT THE BREVITY OF FORD'S VISIT, BUT NEVERTHELESS ARRANGED A MEETING WITH VICE PREMIER TENG HSIAO-PING. FORD IS PRIMARILY INTERESTED IN SALES OF TRUCKS AND TRACTORS; HOWEVER, PROSPECTS FOR LARGE SCALE SALES IN THE NEAR FUTURE APPEAR ONLY FAIR.

--LOCKHEED: TOP EXECUTIVES INCLUDING BOARD
CHAIRMAN ROY ANDERSON VISITED PEKING AT THE INVITATION OF
CCPIT TO GIVE TECHNICAL SEMINARS, AND WERE STILL HERE
AT THE END OF THE MONTH. LOCKHEED EXECUTIVES MET WITH
VICE PREMIER FANG YI ON JUNE 30. THEY ALSO PLANNED TO TRAVEL
TO SHENYANG TO VISIT AN AIRCRAFT FACTORY.
OTHER THAN TECHNICAL SUBJECTS, PRIMARY PRESENTATIONS
WERE ON THE WIDE-BODIED L-1011 TRISTAR. THE CHINESE ALSO
EXPRESSED INTEREST IN THE CIVILIAN VERSION OF THE
HERCULES (C-130) BUT LOCKHEED EXECUTIVES DISCOURAGED
DISCUSSIONS IN THIS AREA BECAUSE THEY DID NOT BELIEVE
USG APPROVAL IS POSSIBLE. (COMMENT: WITH THE ARRIVAL
OF LOCKHEED TEAM, ALL THREE MAJOR US CIVILIAN AIRCRAFT
MANUFACTURERS WILL HAVE VISITED THE PRC IN RECENT MONTHS.
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RUMORS OF STRONG PRC INTEREST IN WIDE-BODIED AIRCRAFT PURCHASES
CONTINUE TO CIRCULATE IN PEKING. WE ALSO UNDERSTAND
THAT CHINESE HAVE CONTACTED EUROPEANS ABOUT THE AIRBUS.)
--AMERICAN PRESIDENT LINES (APL); FIRM EXECUTIVES
VISITED PEKING TO HOLD DISCUSSIONS WITH CHINA NATIONAL
CHARTERING CORPORATION. THEY ALSO VISITED PORT FACILITIES

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C O N F I D E N T I A L SECTION 2 OF 2 PEKING 2067

IN HSINKANG AND SHANGHAI.
--GM ELECTROMOTIVE DIVISION: TEAM VISITED PEKING AT

THE INVITATION OF THE MINISTRY OF RAILWAYS TO GIVE SEMINARS ON DIESEL ELECTRIC LOCOMOTIVES AND RELATED TECHNOLOGY. THEY ALSO VISITED THE CHINESE LOCOMOTIVE FACTORY IN DAIREN. FIRM REPRESENTATIVES BELIEVE PROSPECTS FOR EVENTUAL SALES TO CHINA ARE EXCELLENT, BUT DID NOT GET FAR IN COMMERCIAL DISCUSSIONS ON THIS TRIP.

5. PEROCHEMICALS:

--STONE AND WEBSTER ENGINEERING: FIRM NEGOTIATING WITH TECHIMPORT FOR SALE OF 300,000 MT/YEAR ETHYLENE PLANT TO BE BUILT IN TACHING. JAPANESE PARTNERS ARE MARUBENI AND JAPAN GAS COMPANY.

--C.E. LUMMUS: FIRM VISITED PEKING WITH TOYO ENGINEERING TO NEGOTIATE FOR THE SAME ETHYLENE PLANT MENTIONED ABOVE.

6. PETROLEUM EXPLORATION AND EQUIPMENT:

--PENZOIL: TEAM ARRIVED IN PEKING AND SUBSEQUENTLY VISITED OIL FIELDS IN TAKANG AND TACHING. TALKS WITH THE CHINESE WERE CONTINUING AT THE END OF THE MONTH.

--POLYKEN: REPRESENTATIVE WAS HERE TO SELL POLYETHYLENE
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DOUBLE-PLY PIPE TAPE. CHINESE ARE NOW USING A COAL TAR/FIBER GLASS MIXTURE. FIRM MADE LITTLE PROGRESS, POSSIBLY BECAUSE CHINESE HAVE NOT FOCUSED ON THE NEED FOR WRAPPING PIPES WITH MORE MODERN MATERIALS.

--BAKER TRADING COMPANY: A TWO MAN TEAM REMAINED IN PEKING AT THE END OF THE MONTH DISCUSSING POSSIBLE SALES OF OIL FIELD EQUIPMENT SUCH AS CHRISTMAS TREES, CHOKE MAINFOLDS, STEAM HEATER SEPARATORS, GAUGES, VALVES, ETC.

--MERTZ: VALUE OF CONTRACT, FOR SALE OF FOUR MOBILE EARTH VIBRATING MACHINES (SEE REFTTEL, PARA 2), WAS 7.6 MILLION DOLLARS. EQUIPMENT WILL BE DELIVERED IN 1979. ADDITIONAL SALES ARE POSSIBLE NEXT FALL.

--PHILLIPS PETROLEUM: FIRM REPRESENTATIVE, A SPECIALIST IN GEOLOGICAL EXPLORATION EQUIPMENT, PARTICIPATED IN SINO-BRITISH TRADE COUNCIL OIL DELEGATION TO CHINA. DELEGATION VISITED SHENGLI OIL FIELD AND EXPERTS CONCLUSIONS WERE MUCH THE SAME AS THE NCUSCT DELEGATION (SEE 77 PEKING 2879). A PHILLIPS TEAM WILL ARRIVE IN AUGUST FOR DISCUSSIONS OF A PROPOSAL FIRM HAS MADE TO SEEL OFFSHORE OIL EXPLORATION AND DRILLING TECHNOLOGY TO CHINA.

7. TOOLS:

IN A FIRST FOR USLO, WE RECEIVED THIS MONTH A WRITTEN REQUEST FROM MACHIMPEX FOR INFORMATION ON

A BATTERY WRAPPING TOOL MANUFACTURED BY A SPECIFIC US FIRM. WE PASSED THIS REQUEST ON VIA USDOC, AND THE FIRM SUBSEQUENTLY SENT CATALOGUES AND SAMPLES TO MACHIMPEX.

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8. HUDSON FEATHER AND DOWN PRODUCTS: FIRM CONTRACTED FOR \$5 MILLION OF GOOSE FEATHERS, BUT CHINESE INSTEAD SHIPPED DUCK FEATHERS. FIRM PRESIDENT ARRIVED IN PEKING TO FILE A \$2 MILLION TRADE COMPLAINT; DUCK FEATHERS ARE DIFFICULT TO SELL BECAUSE OF DEPRESSED MARKET CONDITIONS. CHINESE SAW SOME JUSTIFICATION TO THIS CLAIM, AND COUNTERED WITH A \$700,000 OFFER. CLAIM IS NOT YET SETTLED.

9. CHINA TRADE CORPORATION BOARD CHAIRMAN CHARLES ABRAMS AND SEVERAL ASSOCIATES INCLUDING FORMER SENATE MINORITY LEADER HUGH SCOTT VISITED PEKING AND TSINGTAO TO PURSUE ABRAMS' VARIOUS BUSINESS INTERESTS, IN PARTICULAR, NEGOTIATION OF A LONG-TERM (4 1/2 YEAR) EXCLUSIVE TO SELL GREAT WALL VODKA IN THE US. ABRAMS AND HIS ASSOCIATES WERE ALSO SHOOTING A 16MM MOVIE FOR POSSIBLE FUTURE USE ON US TELEVISION, INCLUDING SHOTS OF A CHINESE OFFICIAL HOLDING BOTTLES OF VODKA ON THE GREAT WALL. IN AN INTERESTING SIDELIGHT, CEROIL FOODS REQUESTED ABRAMS' PERMISSION TO USE CTC-DESIGNED VODKA LABEL FOR DOMESTIC USE IN CHINA. ABRAMS IS ALSO TEST MARKETING CHINESE BRANDY AND BEER (LATTER MADE IN TIENTSIN), EXPLORING POSSIBILITIES IN TOURISM, AND SEEKING CHINESE COOPERATION FOR MINI-FAIRS HE PLANS TO HOLD IN 46 U.S. CITIES.

10. MATLING INDUSTRIAL AND COMMERCIAL CORPORATION: MARKETING CONSULTANT AARON ROTHGANGER VISITED TO EXPLORE THE POSSIBILITY OF PURCHASING SMALL AGRICULTURAL TRACTORS.

DELEGATIONS

11. -- NATIONAL MACHINE TOOL BUILDERS ASSOCIATION: NMTBA SPONSORED ITS THRID DELEGATION TO CHINA HOSTED BY
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MACHIMPEX. DELEGATION MEMBERS GAVE SEMINARS AND TALKED ABOUT VARIOUS POSSIBILITIES FOR BUSINESS COOPERATION, INCLUDING PRELIMINARY DISCUSSIONS ON MANUFACTURE OF MACHINE TOOLS IN CHINA ACCORDING TO U. S. SPECIFICATIONS AND DESIGNS. NMTBA PLANS TO INVITE SEVERAL CHINESE TRAIN./ 8, 5. 7.S., AS WELL AS MACHIMPEX OFFICIALS FROM PRC, TO VISIT NATIONAL MACHINE TOOL SHOW, TO BE HELD NEXT SEPTEMBER IN CHICAGO.

OTHER

12. MUNGER OIL INFORMATION SERVICE: PRESIDENT AVERILL MUNGER INVESTIGATED THE POSSIBILITY OF PUBLISHING MATERIAL ON CHINESE OIL GEOLOGY.

-- MCMULLEN TOURS: MET WITH CITS AS A PART OF A MULTI-NATIONAL GROUP OF TRAVEL AGENTS (UNIVERSAL FEDERATION OF TRAVEL AGENTS ASSOCIATIONS) TO DISCUSS PRC TOURIST FACILITIES.

-- NORTHERN TRUST CORPORATION: BOARD CHAIRMAN SMITH AND FORMER VICE PRESIDENT CLYDE REIGHARD VISITED CHINA AS TOURISTS BUT WERE ABLE TO PAY A CALL ON BANK OF CHINA OFFICIALS.

13. THIS MESSAGE CONTAINS SENSITIVE COMMERCIAL INFORMATION WHICH SHOULD NOT BE DISCUSSED OUTSIDE THE USG.
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